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DUE DILIGENCE REVIEW SUMMARY

PREPARED EXCLUSIVELY FOR:
ABC COMPANY
401(K) PLAN



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PRESENTED BY:

BROKER JOE, CFP®, AIFA®, PPC™



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This summary is not intended to be legal or tax advice. Plan sponsors should consult their attorneys about the application of any law to their retirement plans.

DUE DILIGENCE REVIEW™

Documenting a plan expense and provider review for your plan.

The following summary was developed to serve as resource to you when evaluating plan providers and reviewing your existing plan. It was developed based on the information, needs and preferences you documented for your plan, as provided in the worksheets at the end of this report.

Contents:

- A Review – ERISA Guidance For Selecting and Monitoring Service Providers
 - Understanding How Your Plan Compares to Industry Averages
 - Your Plan Expense Documentation
 - Services Available
 - Ongoing Monitoring Tools
 - Next Steps

The duty to act prudently is one of a fiduciary's central responsibilities under ERISA. Prudence focuses on the process for making fiduciary decisions. Therefore, it is wise to document decisions and the basis for those decisions.

Review

**Overview of ERISA Selection and
Monitoring Requirements.**

Due Diligence Review:

ERISA guidelines for selecting and monitoring service providers

The Department of Labor makes it clear that a plan fiduciary must conduct a thorough and diligent investigation and a rigorous analysis of relevant information when selecting and reviewing plan providers.

It is important to have a documented process to show that service providers are being monitored and are meeting the requirements in order to demonstrate procedural prudence.

As a fiduciary, you should establish and follow a formal review and monitoring process at reasonable intervals to decide if your plan will continue using the current service providers or consider other options.

The process of selecting service providers will vary depending on the plan and services to be provided. To help you evaluate service providers, you may want to take the following steps:

Query providers.

Ask providers about their services, experience with employee benefit plans, fees and expenses, customer references or other information relating to the quality of their services and customer satisfaction.

Request formal proposals.

Present each prospective service provider identically and complete information regarding the needs of your plan. You may want to get formal bids from those providers that seem best suited to your needs.

Consider bundled services.

You may wish to consider service providers or alliances of providers who provide multiple services (for example, custodial/trustee, investment management, recordkeeping, education or advice) for a single fee. These arrangements are often called "bundled services."

Obtain detailed fee information.

Ask each prospective provider to be specific about which services are covered for the estimated fees and which are not. Compare the information you receive, including fees and expenses to be charged by the various providers for similar services. Note that plan fiduciaries are not always required to pick the least costly provider; cost is only one factor to be considered in selecting a service provider.

Evaluate your needs.

Consider what services you need for your plan — legal, accounting, trustee/custodial, recordkeeping, investment management, investment education or advice.

Due Diligence Review:

ERISA guidelines for selecting and monitoring service providers

Continued...

Ensure the provider is bonded.

If the service provider will handle plan assets, check to make sure that the provider has a fidelity bond (a type of insurance that protects the plan against loss resulting from fraudulent or dishonest acts).

Confirm provider licenses.

If a service provider must be licensed (attorneys, accountants, investment managers or advisors), check with state or federal licensing authorities to confirm the provider has an up-to-date license and whether there are any complaints pending against the provider.

Evaluate your contract.

Make sure you understand the terms of any agreements or contracts you sign with service providers and the fees and expenses associated with the contracts. In particular, understand what obligations both you and the service provider have under the agreement and whether the fees and expenses, to be charged to you and plan participants, are reasonable.

Document your process.

Prepare a written record of the process you follow in reviewing potential service providers and the reasons for your selection of a particular provider. This record may be helpful in answering any future questions that may arise concerning your selection.

Request regular updates.

Receive a commitment from your service provider to regularly provide you with information regarding the services it provides.

Review performance.

Periodically review the performance of your service providers to ensure that they are providing the services in a manner and at a cost consistent with the agreements.

Evaluate feedback.

Review plan participant comments or any complaints about the services and communicate that feedback to your provider.

Comparing Averages

*A review of how your plan compares
to industry averages.*

PLAN EXPENSE COMPARISON

Plan Expense
Page

Sample #1

The PLAN EXPENSE WORKSHEET you completed provides you with a breakdown of all of your plan expenses by type in detail. ERISA guidelines suggest a fiduciary must understand the fees paid on their plan to ensure the plan pay only 'reasonable' expenses.

Total Plan Assets:	\$	<u>2,200,000</u>
Total Number of Participants:		<u>50</u>
Total Investment-Related Expenses:	\$	<u>24,640</u>
Investment Expense Cost Per Participant:	\$	<u>492</u>
Total Administration/Trustee Expenses:	\$	<u>2,500</u>
Administration Expense Cost Per Participant:	\$	<u>50</u>
Total Expenses:	\$	<u>27,140</u>
Total Expenses per participant:	\$	<u>542</u>

Based on data documented as of: 01/01/2006

To help you understand what is 'reasonable', the following summary details how your plan expenses compare to industry averages for a plan your size with a similar number of participants.

According to a *The 401k Averages Book* by HR Investment Consultants*, the average expenses for a 50 person plan with \$2,000,000 in assets are listed below:

Average Total Plan Cost Per Participant:	\$	<u>561</u>
Average Investment Expense Per Participant:	\$	<u>488</u>
Average Administration/Trustee Expense Per Part.:	\$	<u>73</u>

Participant costs range from \$289 (low side) up to \$836 (high side), with \$561 being the average expense per participant.

* Comparison data dated Dec 05. Your Firm Name makes no claim as to the accuracy of the data reported in the 401k Averages book. Information is provided for comparative purposes only. For more statistics regarding the industry expense benchmarks, refer to *The 401k Averages Book* by HR Investment Consultants.

PLAN EXPENSE COMPARISON

Plan Expense
Page

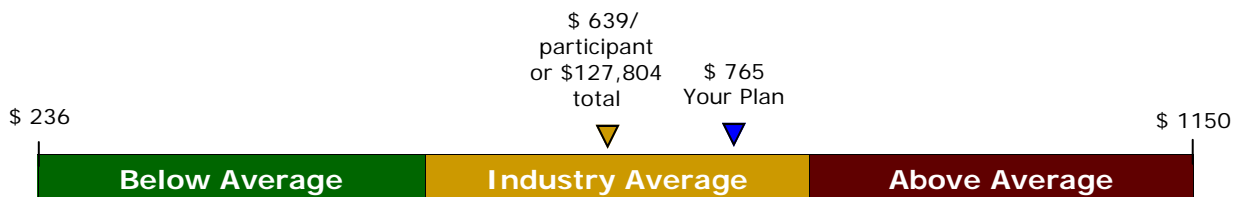
Sample #2

401(K) PLAN—A CURRENT EXPENSE REVIEW:

Total Number of Participants:	172
Total Plan Assets:	\$ 17,890,305.50
Total Plan Administrative Expenses:	\$ 17,933.00
Are SubTA Credits used to offset administrative expenses?	YES
NET Plan Administrative Expenses:	\$ 0
Total Plan Investment Expenses:	\$ 131,610.69
Investment Expense Per Participant:	\$ 765.17
Total Plan Expenses:	\$ 131,610.69
Total Plan Cost Per Participant:	\$ 765.17
Total Plan Costs as a Percentage of Assets:	.736%

PLAN EXPENSE REVIEW—AVERAGE PER/PARTICIPANT TOTAL:

Based on average for a 10 million dollar plan with 200 participants—similar asset allocation



PLAN SERVICES REVIEW—AVERAGE SERVICES PROVIDED TO SIMILAR SIZE PLAN:



Based on data as of Dec 2006, 401k Averages Book by HR Investment Consultants, an Independent Research Provider.

Your Documented Worksheets

Copies of the documented worksheets
completed for this course.

Services Available

**A complete list of services available by
ABC Company for your plan.**

PLAN SPONSOR SERVICES AVAILABLE

OVERVIEW OF PLAN SPONSOR SERVICES AVAILABLE BY BROKER JOE FOR YOUR PLAN:

The following provides an overview of the **Plan Sponsor/Fiduciary** services that Broker Joe can provide to your Plan:

- Plan Design Consulting and Review
- Documenting Goals and Objectives for the Plan
- Identifying and Correcting Fiduciary Shortfalls
- Developing and Implementing an Investment Policy Statement
- Investment Selection and Monitoring
- Quarterly Investment Reviews
- Open Architecture and Platforms Available
- RFP and Provider Search Comparisons
- Annual Plan Reviews
- Fiduciary Education and HR Newsletters
- Plan Management Implementation (Providing samples and a complete binder for documenting meeting minutes, fiduciary acknowledgement letters, 404(c) compliance, etc.)
- Developing a Plan Admin Calendar to Document and Monitor Plan Activities
- Expense Comparison and Benchmarking Reports
- Full Fee Documentation and Participant Disclosure
- Documenting and Centralizing Service Provider Agreements
- ERISA 404(c) Compliance
- Documenting Procedural Prudence and providing a complete documented binder covering all aspects of plan management and ERISA compliance through the 401k Service Solution™ for Plan Sponsors and Fiduciaries
- Accepting Co-Fiduciary status on the Plan
- Implementing a Plan Monitoring Program to ensure the following are addressed and updated on a regular basis: Plan Expenses, Participant Education Program, Investment Policy Statement, IRS Regulations that affect your plan, Provider due-diligence, Goals and Objectives, HR turnover and sponsor education, Fiduciary compliance.

PARTICIPANT SERVICES AVAILABLE

OVERVIEW OF PARTICIPANT SERVICES AVAILABLE BY BROKER JOE FOR YOUR PLAN:

The following provides an overview of the **Participant** services that Broker Joe can provide to your Plan:

- Enrollment Support
- Group Education Meetings
- Individual Consultations
- Investment Advice
- Statement Stuffer Education Information
- Bulletin Board Postings
- Email Education Program Bi-Monthly
- Participant Fee Disclosure
- Custom Participant Education Programs based on input from Participants and Specific Location demographics and unique needs
- Participant Newsletters
- The Employee Report Card to Monitor the Effectiveness of an Education Program
- Individual Gap Analysis and Retirement Reports
- Targeted Mailings for low and non-participating employees
- Targeted Mailings for pre-retirees vs. investors just starting to save for retirement (age-based reports)
- Pre-retirement workshops for those employees within 10 years to retirement
- Financial Planning Kits
- Retirement Income Planning
- Risk Tolerance Questionnaires

Monitoring Tools

A checklist to help you monitor your provider to evaluate the continued appropriateness for your plan.

PROVIDER REVIEW CHECKLIST

Educate. Advise. Guide.



This checklist can help you monitor your current provider's services and expense structure to ensure they continue to meet the needs of your plan. (This kind of expense review should be conducted about every three years.)

Date of Review: _____

1. CURRENT PROVIDER

How long have you been with your current provider? _____

- Have any services been added or removed from your plan in the last three years? Yes No
- Have any of the expenses on your plan increased in the last three years? Yes No
- Do you have any service issues with your provider you need to address? Yes No
- Are there any services you would like to add or remove from your plan? Yes No

2. OTHER PROVIDERS

- Are there any particular providers you have heard of that you want to include in your provider comparison report? Yes No
- Have any new features become available or any changes required as a result of any legislative act (such as automatic cash-out provisions, Roth 401(k) contributions, etc.)? Yes No

3. EXPENSES

- Do you know what the total expenses are on your plan? Yes No
- Have you reviewed a plan expense comparison in the last twelve months? Yes No
- What industry benchmark report was used for this review? _____
- Are you considering alternate expense structures for your plan? Yes No
- Do all of the investment-related expenses on your plan meet the criteria in your IPS for the initial and ongoing review? Yes No

4. CONDUCTING THE REVIEW

- Does your current service provider offer a competitive pricing options? Yes No
- Does your current provider offer a competitive array of administrative services? Yes No
- How do the investment-related expenses of your current provider compare to industry averages? Higher Lower Average
- How do the administrative/trustee expenses of your current provider compare to industry standards? Higher Lower Average

Next Steps

Implement any changes and continue to monitor your decisions.

Due Diligence Review:

Next Steps

Is your retirement plan provider meeting your needs?

As a retirement plan sponsor, it is your responsibility to ensure that your plan serves the best interests of your employees by remaining competitive, cost-effective and compliant. While you can choose from among a wide variety of plan types and providers, the Department of Labor expects you to make thoroughly researched and thoughtful choices — a challenge given the growing number of providers, evolving plan features and complex expense structures.

We are pleased to be able to help you document procedural prudence in the selection and monitoring of plan providers.

Based on a thorough review of this summary report, and with further discussion surrounding the needs of your plan, there may be additional steps you should take including:

Seek proposals from providers that can meet your needs.

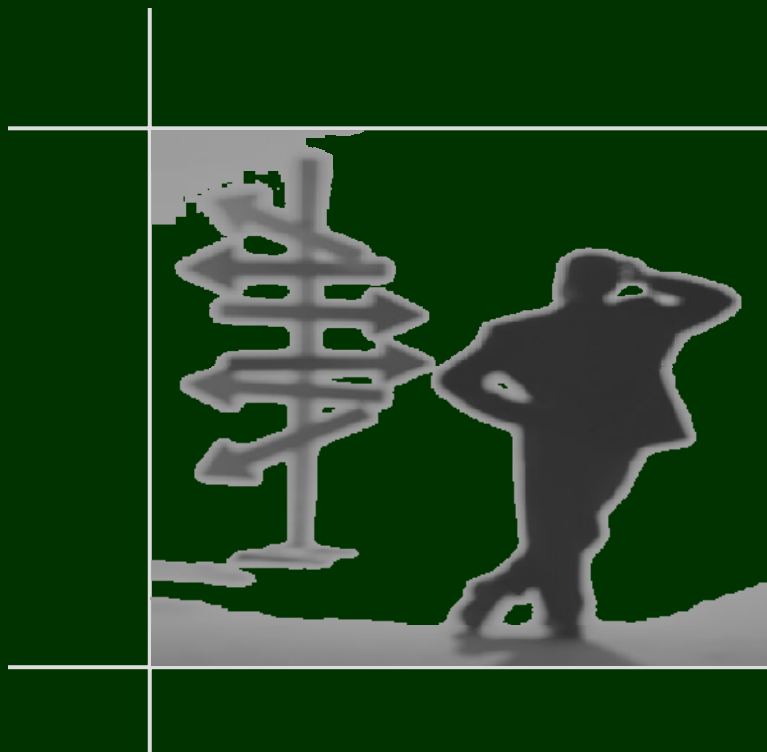
If your expense and industry comparison review revealed that your plan is no longer a competitive option, we can help you identify providers that would be a good fit for your plan. Throughout this process, we can provide insight into selecting the most appropriate provider for your plan, and can lead the plan conversion process.

Continue with current provider use our experience and assistance for continued monitoring, service, and compliance assistance.

If a decision is made to stay with your current provider, we can be appointed to take over the ongoing service assistance of your plan with a simple 'change of agent' form.

Continue to monitor your service provider regularly to help ensure you meet ERISA's guidelines for the monitoring of plan providers, and to verify your provider is still the most appropriate choice for your plan.

Using the checklist provided in this summary, you can continue to monitor your service provider and evaluate their effectiveness at helping you meet the needs of your plan and plan participants.



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The Department of Labor makes it very clear that a plan fiduciary must conduct a thorough and diligent investigation and a rigorous analysis of relevant information when selecting and reviewing plan providers and investment options.

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